

**REACH OUT, INC.
ANADARKO, OKLAHOMA**

**FINANCIAL STATEMENTS AND
AUDITORS' REPORT**

DECEMBER 31, 2020

**Jackson, Fox and Richardson
A Professional Corporation
Certified Public Accountants
Ardmore, Oklahoma**

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JACKSON, FOX and RICHARDSON
A Professional Corporation

Certified Public Accountants

PO Box 1171 * 129 C Northwest
Ardmore, Oklahoma 73402-1171
Donald L. Jackson (1948-2015)
Kathy A. Fox CPA
Gabriel M. Richardson CPA

(580) 223-1877 Fax (580) 223-1880
www.cpa-ok.com

kathy@cpa-ok.com
gabe@cpa-ok.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Reach Out, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Reach Out, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the

financial position of Reach Out, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information beginning on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2022, on our consideration of Reach Out, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Reach Out, Inc.'s internal control over financial reporting and compliance.

Jason Fox: Ruben PC

Ardmore, Oklahoma
February 4, 2022

Reach Out, Inc.
Statement of Financial Position
December 31, 2020

Assets	
Current Assets	
Cash	\$ 278,596
Contracts Receivable	365,851
Total Current Assets	<u>644,447</u>
Long-Term Assets	
Furniture, vehicles and equipment	136,132
Less accumulated depreciation	<u>(105,053)</u>
Total Long-Term Assets	<u>31,079</u>
Total Assets	<u><u>\$ 675,526</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	\$ 2,400
Compensated absences	7,600
Salaries payable	102,954
Other liabilities	44,176
PPP loan payable	580,700
Current portion long term debt	<u>15,620</u>
Total current liabilities	753,450
Long-term liabilities	-
Net Assets, without donor restrictions	<u>(77,923)</u>
Total Liabilities and Net Assets	<u><u>\$ 675,526</u></u>

The accompanying notes are an integral part of these financial statements.

Reach Out, Inc.
Statement of Activities
Year ended December 31, 2020

Revenues	
Fees and contracts from government agencies	\$ 4,028,749
Gain (loss) on sale of assets	-
Miscellaneous income	-
Total Revenues	<u>4,028,749</u>
Expenses	
Program expenses	2,696,877
Supporting services	<u>1,640,077</u>
Total Functional Expenses	<u>4,336,954</u>
Change in Net Assets	(308,205)
Beginning Net Assets	<u>230,282</u>
Ending Net Assets	<u><u>\$ (77,923)</u></u>

The accompanying notes are an integral part of these financial statements.

Reach Out, Inc.
Statement of Cash Flows
Year ended December 31, 2020

Cash Flows From Operating Activities	
Change in Net Assets	\$ (308,205)
Adjustments to reconcile changes in net assets to net cash provided by operations	
Depreciation	13,710
Contracts receivable	(94,946)
Accounts payable	835
Compensated absences	(1,163)
Payroll taxes payable	25,274
Salaries payable	(101,905)
Cash provided by operations	<u>(466,400)</u>
Investing Activities	
Investment in equipment	(8,222)
Financing Activities	
Note Receivable	-
Note Payables	581,445
	<u>581,445</u>
Net Changes in Cash and Cash Equivalents	106,823
Beginning Cash	<u>171,773</u>
Ending Cash	<u><u>\$ 278,596</u></u>

The accompanying notes are an integral part of these financial statements.

Reach Out, Inc.
Statement of Functional Expenses
Year ended December 31, 2020

Direct Program Expenses	
Direct payroll and taxes	\$ 2,532,319
Direct transportation	164,558
Total direct costs	<u>2,696,877</u>
Supporting Expenses	
Accounting	30,931
Administration salary and expenses	1,200,837
Advertising	-
Bank Charges	1,920
Client Expense	9,923
Contract Labor	67,766
Depreciation	13,710
Dues, Fees, or Subscriptions	845
Employee Expense	-
Employer Expense	13,441
Equip Rental Maintenance	21,725
Equip Supplies	-
Insurance-Health	93,200
Insurance-Other	74,963
Interest expense	5,170
Office expense	9,949
Repairs & Maint	2,530
Telephone	13,327
Travel	71,690
Utilities	8,151
Property Taxes	
Total Supporting Expenses	<u>1,640,077</u>
Total Functional Expenses	<u>\$ 4,336,954</u>

The accompanying notes are an integral part of the financial statements

Reach Out, Inc.
Notes to Financial Statements
December 31, 2020

Note 1—Organization and Summary of Significant Accounting Policies

Nature of Organization

Reach Out, Inc. was incorporated on April 17, 1995, as a not-for-profit corporation in Oklahoma. The Organization is a provider of habitation training, homemaker, respite and transportation services to developmentally disabled persons of a multi-county area.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles established in the United States of America.

Tax Exempt Status

Reach Out, Inc. is an exempt organization for Federal Income tax purposes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. The Organization files a Form 990 with the IRS annually. Generally, income tax returns related to the current and three prior years remain open for examination by taxing authorities.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash on deposit, savings account, money market funds and any other investments with original maturities of three months or less.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contribution of cash that must be used to acquire property and equipment are reported as restricted support. It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donation of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as support increasing net assets with donor restrictions. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions each year for the amount of the donated property and equipment's depreciation expense.

Revenue and Revenue Recognition

Reach Out, Inc. reports fees at the amounts that reflect the consideration to which we expect to be entitled in exchange for providing patient care. These amounts are due from government programs, and they include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, we invoice several days after the services are performed. Revenues are recognized as performance obligations are satisfied. Program services under the Oklahoma Department of Human Services contracts comprise 100% of Reach Out, Inc.'s accounts receivables. Interest is not charged for delinquent accounts and no provision is made for uncollectable accounts, as all receivables are considered collectable. Such determination is based on the collection history of Reach Out, Inc.

Because our patient services performance obligations relate to contracts with a duration of less than one year, we have elected to apply the optional exemption provided in FASB Accounting Standard Codification (ASC) 606-10-50-14(a) and, therefore, we are not required to disclose the aggregate amount

Reach Out, Inc.
Notes to Financial Statements
December 31, 2020

of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to services at the end of the reporting period.

We determine the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers. We determine our estimate of implicit price concessions based on our historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs and various committee assignments.

Land, Building and Equipment

Reach Out, Inc. capitalizes expenditures as depreciable fixed assets when the cost meets a threshold and has an estimated life of three years or more. Expenditures for physical properties are stated at cost. Depreciation of physical properties is calculated on the straight-line method over the following estimated useful lives:

Vehicle	5 years
Computers and fixtures	5-7 years
Building, Improvements	15-30 years

Allocation of Supporting Service Expenditures

The Organization's policy is to allocate the indirect expenses of supporting services based on relevant measures such as personnel time, floor space, revenues generated, or supplies consumption.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2—Cash, Cash Equivalents, and Investments

Financial instruments that potentially subject Reach Out, Inc. to concentrations of credit risk consist principally of cash deposits. The Organization maintains its cash deposits in bank depository, which at times may exceed federally insured limits. Reach Out, Inc. does not require collateral on such excess balances. Reach Out, Inc. has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. For 2020, Reach Out Inc.'s uninsured cash balances totaled \$28,597.

Reach Out, Inc.
Notes to Financial Statements
December 31, 2020

Note 3—Functional Allocation of Expenses

The cost of providing the programs and activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services.

Note 4—Property and Equipment

The costs and related accumulated depreciation of vehicles and equipment consisted of the following:

Classification	Beginning of the year	Additions	Deletions	End of Year
Furniture and Equipment	\$ 34,534	\$ 8,222		\$ 42,756
Building Improvements	17,165			17,165
Vehicles	76,210			76,210
	127,909	8,222	-	136,131
Less accumulated depreciation	(91,343)	(13,710)	-	(105,053)
	<u>\$ 36,566</u>	<u>\$ (5,488)</u>	<u>\$ -</u>	<u>\$ 31,078</u>

Current depreciation and amortization included in the financial statements is \$ 13,710.

Note 5—Compensated Absences

Reach Out, Inc. allows vesting of accrued vacation. The total vested compensated absences at December 31, 2020, were \$7,600.

Note 6—Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has not designated, from net assets without donor restrictions, net assets held by the Organization for an operating reserve.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

No restrictions have been placed on the Organization's net assets for 2020.

Reach Out, Inc.
Notes to Financial Statements
December 31, 2020

Note 7—Risk Management

Reach Out, Inc. is exposed to various risks of loss-related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Reach Out, Inc. carries commercial insurance for risks of loss, including workers' compensation and general liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8—Related Party Transactions

Rents—The Organization rents its office facility from the Executive Director. No rental payments were made for the year 2020.

Notes Payable/Receivable—The Organization borrowed from its officers. Total borrowings made were as follows:

Borrowings

2009	\$50,000
2010	13,500
2011	120,000
2013	15,500
2014	30,000
2018	6,000

Notes were executed and the details are included in long term debt disclosures.

Personnel—the Organization employs relatives of the Executive Director. Total wages paid were

2020	\$ 627,000
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Note 9—Commitments and Contingencies

Government Support

Reach Out, Inc. receives a majority (99%) of its support from state government. A significant reduction in the level of this support, if this were to occur, may have an effect on Reach Out, Inc.'s programs and activities.

Concentrations of Credit Risk

Reach Out, Inc. grants credit to customers in the form of receivables, which are potentially subject to concentrations of credit risk. As noted in Note 1, 100% of receivables are due from the State of Oklahoma.

Reach Out, Inc.
Notes to Financial Statements
December 31, 2020

Note 10—Subsequent Events

Management has evaluated all events subsequent to the balance sheet date of December 31, 2020, through the date of issuance of these financial statements, February 4, 2022.

Note 11—Long Term Debt

A summary of long term debt follows:

The Organization rolled all borrowings from the Executive Director into a note. On December 31, 2020, the amount was \$15,620. Monthly payments are \$2,259 and the note bears interest at 4.9%.

The Organization received a 1.00% note payable with Midfirst Bank for \$580,700 through Payroll Protection Program during the year. Note was forgiven on March 31, 2021 and will be reclassified as grant income in year 2021.

A summary of five-year maturities follows:

Due date	Principal
2021	\$596,320
Ends in 2021	

Note 12—Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are as follows:

Cash and cash equivalents	\$278,597
Accounts receivable	365,851
	<u>\$644,448</u>

SUPPLEMENTAL INFORMATION

Reach Out, Inc.
Supported Living Room and Board
Compliance Test
Page 1 of 2
Year ended December 31, 2020
(Unaudited)

I. Room and Board Carryover from Fiscal Year 2019:

1) Amount shown under Section IV. Carryover Calculations of
FY 2019 schedule (or most recent schedule). \$ -

II. Current Fiscal Year:

2) Supported Living Room and Board Revenues

Procedure Code W4576	\$ 16,836
Procedure Code W4577	11,712
Service Recipient Fees (Total amount due from service recipient(s) w hether or not actually collected.)	<u>14,437</u>

Total of Supported Living Room and Board Revenues \$ 42,985

3) Supported Living Room and Board Expenditures

Housing costs and utilities	27,072
Groceries	6,927
Household Maintenance	902
Recreation	375
Personal Items and Clothing	3,486
Household Property Insurance	227
Yard Care	
Furnishings and Appliances	375
Health Insurance Co-Payments/medical cost/speciality diet	297
Other (Requires prior w ritten approval of DDSD Programs Administrator for Community Services.)	<u> </u>

Total of Supported Living Room and Board Expenditures 39,661

4) Fiscal Year Supported Living Room and Board Revenues Minus
Supported Living Room and Board Expenses 3,324

Line (2) minus Line (3)

5) Supported Living Room and Board Fund Balance
at end of Fiscal Year 3,324

Line (1) plus Line (4)

Reach Out, Inc.
Supported Living Room and Board
Compliance Test
Page 2 of 2
Year ended December 31, 2020
(Unaudited)

III. Excessive Balance Test

- | | | |
|--|------------------|--------------|
| 6) Total Supported Living Room and Board Revenues for the fiscal year
(Total of Line (2)) | <u>\$ 42,985</u> | |
| 7) Carry Over Limit | <u>5%</u> | |
| 8) Maximum Carry Over Amount
(Line (6) times Line (7)) | | \$ 2,149 |
| 9) Supported Living Room and Board Fund Balance in excess of Carry Over
Limit (Line (5) minus Line (8)) | | <u>1,174</u> |
| 10) Excessive Balance (Amount to be refunded to OKDHS)
(If Line (9) is greater than zero, enter amount from Line (9), otherwise enter zero) | | <u>1,174</u> |

IV. Carryover Calculation

- | | | |
|--|--|-----------------|
| 11) TOTAL AMOUNT TO CARRY OVER TO FISCAL YEAR 2021
(If Line (9) is less than zero, enter higher of amount on Line (5) or zero,
otherwise enter the amount from Line (8)) | | <u>\$ 2,149</u> |
|--|--|-----------------|

V. Statistical Data

- | | | |
|---|------------|--|
| 12) Total days of Supported Living Service Provided | <u>365</u> | |
| 13) Number of Individuals Served (Unduplicated Count) | <u>2</u> | |

Reach Out, Inc.
Supported Living Special Needs
Medical Compliance Test
Year ended December 31, 2020
(Unaudited)

(1) FY20 Revenues for W4581, Special Needs - Medical (Amount should match amount shown on the Supplemental Information Schedule, SL column, for procedure Code W4581, Special Needs - Medical.)	\$ -
(2) FY20 Expenditures for W4581, Special Needs - Medical (Amount should match amount shown on the Supplemental Information Schedule, SL column, in the Medical Costs section.)	\$ 297
(3) Difference in Special Needs Revenues and Expenditures	\$ (297)
(4) FY20 Revenues in excess of expenditures: If Line (3) is greater than 0, enter amount on Line (3), Otherwise enter zero. (This is the amount to be refunded to DHS.)	\$ -

Reach Out, Inc.
DDS Combined Room & Board
Compliance Schedule
Year ended December 31, 2020
(Unaudited)

REVENUES

Service Recipient Fees \$ -

Other Non-Medicaid Room and Board Revenues \$ -
(Must indicate source and cover adjusted R&B expenditures)

*Source of Other Revenue: _____

TOTAL REVENUES \$ -

EXPENDITURES

Non-Medicaid Room and Board Expenditures \$ -

Non-Medicaid Facilities/Maintenance Expenditures \$ -

TOTAL EXPENDITURES \$ -

TOTAL ROOM AND BOARD REVENUES MINUS
ROOM AND BOARD EXPENDITURES \$ -
(Must not be a negative amount)

Total Days of Room and Board Service Provided 365

Number of Individuals Served (Unduplicated count) 26

***42 CFR 441.31(a)(2): "Federal Financial Participation for home and community-based services is not available in expenditures for thecost of room and board..."**

Reach Out, Inc.
Schedule of Expenditures of State Awards
December 31, 2020
(Unaudited)

Oklahoma Department of Human Services Supported Living Room and Board	Period	Program Award Amount	Receipts	Disbursements
Procedure Code W4576	1/1/20-12/31/20	\$ 16,836	\$ 16,836	\$ 16,836
Procedure Code W4577	1/1/20-12/31/20	11,712	11,712	11,712

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www.cpa-ok.com

kathy@cpa-ok.com
gabe@cpa-ok.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Reach Out, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Reach Out, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 4, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Reach Out, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Reach Out, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Reach Out, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. See A-4.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Reach Out, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item A-4.

Reach Out, Inc.'s Response to Findings

Reach Out, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Jackson Fox".

Ardmore, Oklahoma
February 4, 2022

Reach Out, Inc.
Schedule of Findings and Responses
December 31, 2020

A-4 Questioned Costs Advances and Borrowings (repeat finding)

Criteria: Not-for-profit organizations are generally prohibited from engaging in advances or borrowings to or from officers, directors, or key employees.

Finding: During the year under audit, the Organization still have balances due from borrowing funds from related parties and engaged in borrowing from prohibited persons.

Effect: These transactions could result in loss of not-for-profit status. Also, these transactions are not an appropriate use of program funds.

Recommendation: We recommend the Organization immediately cease and desist all related party transactions, repay all borrowings, and repay all advances.

Response: Management agrees and will take appropriate steps.